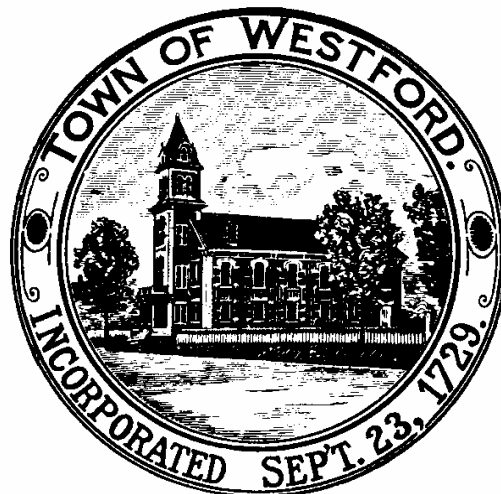


**Final Report**

**of the**

**Long Range Fiscal Policy Committee**

November 6, 2007



## Table of Contents

Introduction .....	1
Executive Summary .....	1
The Problem .....	2
Revenue Constraints .....	3
Growth of Expenditures .....	3
Solving the Problem .....	4
Recent Past .....	4
Possible Future Revenue Sources .....	5
Possible Future Spending Cuts .....	5
Beyond Westford .....	6
Recommended Fiscal Policies .....	7
Annual Budget Development Policies .....	7
Capital Policies .....	8
Debt Management Policies .....	9
Reserve Fund Policies .....	9
Override Policies .....	10
Policies to Pursue and Implement Operational and Other Efficiencies .....	10
Level of Service Policy .....	11
Contract and Salary Negotiations Policies .....	12
Fees and Enterprise Funds Policies .....	12
One-Time Revenues Policy .....	13
Post-Employment Benefit Policies .....	13
Appendix A. Committee Charge and Membership .....	14
Appendix B. Bond Rating .....	15
Appendix C. Town Department Goals and Objectives .....	16
Appendix D. Areas of Potential Operating Efficiencies .....	17

## INTRODUCTION

The Westford Board of Selectmen created the Long Range Fiscal Policy Committee in May 2007 and charged the Committee with recommending a five year, sustainable fiscal plan for the Town that addresses the existing structural imbalance in Westford's annual budgets. The expectation was that the Committee would complete its work by October 1, 2007 in order to have its recommendations incorporated into the FY'09 budget cycle. However, that target date proved to be ambitious and the completion date was reset to November 1, 2007. Appendix A lists the Committee membership and contains the complete text of the Board of Selectmen's charge to the Committee.

The Committee consisted of members with diverse backgrounds, opinions, and priorities. Our discussions were respectful and collaborative, and this report reflects our efforts to identify common ground and achieve consensus on a range of issues. The report is as comprehensive as time allowed; subsequent committees will further expand upon our work.

## EXECUTIVE SUMMARY

Westford's rapid growth has been accompanied by demands on services that have driven up Town expenses. In addition, there are several budget items whose unrestricted growth is affected by factors largely beyond Town control, including health insurance, retiree benefits, utilities, and state and federal mandated services. Westford's revenue sources have not kept up with its expenditures, and the Finance Director's projections show a growing gap between expenses and revenue in coming years.

In recent years, the Town has successfully balanced the budget without solving the underlying structural problem by deferring the replacement and/or maintenance of capital items, using reserves to fund operational expenses, implementing cost cutting measures, adding and increasing fees, and relying on greater than expected increases in state aid. However, these measures have not solved the underlying structural problem, and Westford's spending growth continues to outpace its revenue growth.

To solve the underlying structural problem, Westford must look at both revenue and expenses. The following two scenarios illustrate the severity of the problem:

**Revenue.** If the Town wants to raise revenue in FY'09 to a level that would solve the structural problem for the next five years, the Town would need a permanent tax increase (or another ongoing source of revenue) amounting to \$5.6 million in FY'09.

**Expenses.** If the Town wants to reduce expenses in FY'09 to a level that would solve the structural problem for the next five years, the Town would need a permanent expense reduction equivalent to a 7% cut to departmental budgets in FY'09.

The committee recognizes that Westford does not have a formal set of fiscal policies to guide its financial matters but rather depends upon past practice as a guide. The Committee identified the successful practices currently in place and recommends formalizing them into policies. In addition, the Committee defined several new policies not currently in use. The Committee believes that adoption of these policies by the Board of Selectmen will contribute to correcting the current financial structural imbalance facing Westford.

## THE PROBLEM

The crux of the budget problem confronting Westford is straightforward: Westford's annual expenses exceed its annual revenue.

Extraordinary town-wide growth accompanied by the associated demand on services has dramatically driven up expenses. In addition, there are several budget items whose growth is largely beyond Town control. Revenue has not kept up with expenditures, resulting in a budgetary structural imbalance. The magnitude of this structural problem is shown by the projections in the following table, based on the Finance Director's financial model dated October 31, 2007.

NOTE: Because many factors affect the Finance Director's model, the projections change over time as new information becomes available.

	FY'08	FY'09	FY'10	FY'11	FY'12
<b>Budgeted Expenditures</b>	\$89,984,209	\$90,079,007	\$92,766,065	\$95,786,089	\$99,048,090
<b>Anticipated Closeouts</b>	\$4,620,937	\$1,500,000	\$1,250,000	\$1,000,000	\$1,000,000
<b>Revenue</b>	\$86,735,850	\$85,776,833	\$87,541,666	\$88,929,205	\$90,067,839
<b>Surplus/(Deficit)</b>	\$1,372,578	(\$2,802,174)	(\$3,974,399)	(\$5,856,884)	(\$7,980,251)
<b>Tax Impact</b>	1.44%	1.73%	1.37%	0.67%	1.98%

Where the following definitions apply:

**Budgeted Expenditures:** The projected amount of the budget to be presented to Town Meeting for approval.

**Anticipated Closeouts:** The projected amount of unspent budgeted funds and/or higher than expected revenue at the end of the fiscal year.

**Revenue:** The projected income from all sources.

**Surplus/(Deficit):** If projected revenue exceeds projected spending, then a surplus exists and is shown as a positive number. If projected spending exceeds projected revenue, then a deficit exists and is shown in parentheses.

**Tax Impact:** The projected total property tax increase. Components of the tax impact are: the 2.5% annual increase allowed under Proposition 2½, the retiring of old debt excluded from Proposition 2½, and the issuing of new debt excluded from Proposition 2½.

The Finance Director's model is based on the following assumptions:

- Departmental spending will increase at 3% per year.
- Property taxes will be increased annually by the amount allowed within the limits of Proposition 2½.
- Additional property taxes due to new construction are estimated to be \$500,000 per year.
- State aid will increase by 2% each year.

As the table shows, the financial model for the next 5 years projects a growing gap between expenditures and revenue. This gap is referred to in this report as "the structural problem."

The longer a solution to the underlying structural problem is deferred, the greater the chance is that the Town will reach a crisis point where the alternatives are limited. However, the two components of the problem, revenue and expenditures, present challenges as described below.

## REVENUE CONSTRAINTS

The major elements of Westford's annual revenue have restrictions on growth or are largely beyond Westford's control:

**Property taxes.** In FY'07, property taxes accounted for about 62% of Westford's revenue. Without an override, the annual Town-wide increase in property tax revenue is limited to 2.5% of the previous year's total property tax revenue plus additional tax revenue due to new construction. In recent years, the revenue due to new growth has been declining.

**State Aid.** In FY'07, state aid accounted for about 23% percent of Westford's revenue. The year-to-year changes in state aid are difficult to predict. In recent years, Westford has seen changes in state aid ranging from a decrease of 11% (in FY'04) to an increase of 13% (in FY'05). Although Westford's state aid has increased significantly in the past two years, history has shown that we cannot continue to expect substantial annual increases indefinitely.

**Fees.** Fees are an increasing source of revenue for the Town. By law, fees must be applied only to the cost of the service for which they are charged and fees cannot legally be charged for certain mandated services.

## GROWTH OF EXPENDITURES

Because payroll makes up a significant part of Westford's operating budget (approximately 63% in FY'08), even modest increases put considerable strain on the budget. If annual payroll expense growth outpaces revenue growth, an unsustainable situation is created unless a compensating source of revenue is found or cuts are made.

There are several budget items whose growth is affected by factors largely beyond Town control. These items, sometimes referred to as Westford's "budget busters," include:

**Health Insurance.** In FY'08, the revenue generated by the increase in property taxes on existing development allowed by Proposition 2½ was not enough to cover the increase in the Town's health insurance budget. Health insurance premiums have increased by an average of 11.4% each year from FY'05 to FY'07 and are expected to continue to rise at a substantial rate.

**Retiree Benefits.** Budgeted pension costs have increased by an average of 14% each year for the past four years. A study is underway to determine the magnitude of the liability for retiree health benefits.

**Utilities.** Heating fuel, electricity, and gasoline expenses have fluctuated in recent years, with several years seeing increases greater than 10%.

**State and Federal Mandated Services.** These costs have a significant impact on the budget.

# SOLVING THE PROBLEM

## RECENT PAST

The structural problem and the associated projected deficits have been with Westford for several years. In recent years the measures taken to solve the immediate problem for the short-term included the following:

**Deferring capital maintenance/replacement.** The Town has made a practice of funding the operating budget at the expense of capital items, resulting in a backlog of pending capital requirements and deferred maintenance.

**Using reserve funds for operational expenses.** In FY'03, Westford's reserves totaled \$10.1 million; at the end of FY'07, reserves had dropped to \$3.8 million. Further reductions could leave the Town below the minimum recommended level of 5% of the operating budget, affecting the Town's bond rating and leaving Westford less able to address unexpected emergencies. See Appendix B for more information about the relationship between Westford's bond rating and its reserves.

**Cutting costs.** Some Town services have been reduced. Employees have been laid off, hours have been cut, vacant positions have been eliminated, a hiring freeze has been implemented, and job responsibilities have expanded. Cost-saving measures have been implemented, including many recommended by the Committee for Efficient Town Government, and others through the initiative of Town departments.

**Adding and increasing fees.** New fees have been added and some existing fees have been increased, including bus fees, school athletic and activity fees, and fees for some Town services. Ambulance-related fees have been collected by way of the recently instituted Ambulance Enterprise fund.

**Relying on state aid.** For FY'07 and FY'08, Westford enjoyed larger than expected increases in state aid, which helped to close the gap in those years. In addition, the investment earnings from \$19 million of School Building Assistance reimbursement funds received in FY'08 are factored into the five-year model. These investment earnings will decline each year over the remaining life of the school bonds.

## POSSIBLE FUTURE REVENUE SOURCES

One way to address the structural problem is to increase revenue. To solve the problem for the next five years solely by increasing revenue, the Finance Director estimates that revenue would have to increase by \$5.6 million in FY'09.

Possible revenue generators include:

**Proposition 2½ override(s).** An override would create a permanent property tax increase that could be used to balance the budget for the long term and correct the structural problem.

**Debt exclusion/capital exclusion(s).** A debt or capital exclusion could be targeted to specific project(s) that would normally be part of the operating budget, resulting in a temporary tax increase for the duration of the exclusion. The corresponding reduction in capital spending in the operating budget would partially address the structural problem in the short term.

**Fees.** The Town could move toward making more services self-supporting by charging fees that reflect the actual cost of providing the service. An example of a new fee to be considered would be a trash collection fee.

**Sell Town-owned property.** The Town could examine the inventory of town-owned property and determine if any is surplus and could be sold.

**Advertising revenue.** The Town could aggressively pursue advertising revenue where available. Examples might include ads on school buses, banner ads on the Town web site, and signs at playing fields.

**Mitigation, gifts, and grants.** These one-time funds, while welcome, are unpredictable and cannot be relied on to address the structural problem.

## POSSIBLE FUTURE SPENDING CUTS

Another way to address the structural problem is to cut spending. To solve the problem for the next five years solely by cutting expenses, the Finance Director estimates that departmental budgets would have to be cut by approximately 7% in FY'09.

If cuts are to be made, level of service metrics should be a factor in determining which services are to be cut. The budget of a department whose level of service exceeds the level of service provided by comparable "market basket" communities would be a candidate for reduction. For further information on level of service metrics, see the Level of Service Policy.

Possible spending cuts include:

**Address the remaining recommendations of the Committee for Efficient Town Government.** Since this committee's report in June 2004, many of the recommended items have been implemented. For each remaining item, a determination should be made whether implementation is feasible and cost-effective.

**Pursue operating efficiencies.** The Town should actively identify and pursue potential cost-cutting measures such as those listed in Appendix D. Each item in this list should either be accepted and implemented or rejected with an explanation.

**Reduce Town trash expenses.** The Town could eliminate trash collection entirely, or could implement a trash collection fee that encourages residents to recycle, which would reduce the Town's trash disposal costs. In FY'08, the Town budgeted \$1.27 million for trash collection.

**Look for regionalization opportunities with other towns.** The Town should actively identify and pursue opportunities to cut costs by combining services with other towns.

**Evaluate fee-based services.** The Town should consider eliminating fee-based non-critical services if the fees charged for such services do not cover the cost of providing those services and the fees cannot be increased to cover those costs.

## **BEYOND WESTFORD**

Recognizing that Westford's financial problems are not unique to Westford, the Town should actively solicit help from the state with financial issues that affect all towns. The following are largely beyond the control of the Town and are significant long-term issues demanding the attention of our local legislators:

**"Budget Busters."** Increases in health care costs, retiree benefits, utilities, and mandated costs are largely beyond the control of Westford, but they have a dramatic impact on the Town's budget.

**Fluctuations in state aid.** Since nearly a quarter of Westford's revenue comes from state aid, the Town needs it to grow reliably and to keep up with increasing costs.

For more information about the fiscal relationship between the state and communities from the point of view of the Municipal Finance Task Force created by the Metro Mayors Coalition, see "Local Communities at Risk - Revisiting the Fiscal Partnership Between the Commonwealth and Cities and Towns" ([www.mapc.org/Municipal\\_Finance\\_Task\\_Force/Executive%20Summary.pdf](http://www.mapc.org/Municipal_Finance_Task_Force/Executive%20Summary.pdf)).



## RECOMMENDED FISCAL POLICIES

Westford currently does not have a written set of fiscal policies to guide its financial matters but rather depends upon past practice as a guide. The Committee identified successful practices that are currently in place and developed policies based on them. In addition, the Committee defined several new policies that it believes will help to address the structural imbalance. Toward that end, the Committee recommends that the Board of Selectman adopt the following policies:

### ANNUAL BUDGET DEVELOPMENT POLICIES

The Committee recommends that the Board of Selectmen adopt the following policies with regard to the annual budget development process:

**The Town Manager should continue to solicit input before preparing the annual recommended budget.** The Town manager should consult with others, including the Town Finance Director, the Superintendent of Schools, department heads, and Town boards before preparing the annual budget. The Town Manager should prepare a baseline balanced budget that does not require a Proposition 2½ override, capital exclusion, or debt exclusion. The Town Manager may also prepare an additional budget that includes an override, capital exclusion, and/or debt exclusion.

**The Board of Selectmen should defer adopting a position on overrides, debt exclusions, or capital exclusions until after reviewing the Town Manager's annual recommended budget(s).** If the Board of Selectmen places an override, capital exclusion, and/or debt exclusion on the ballot, the Town Manager should produce a budget for each override scenario.

**The Town Finance Director should continue to prepare five-year models in support of the budget process.** These models should show how various proposed budgets affect Westford's long-term financial outlook.

**Town boards should continue to review the recommended budget.** The Finance Committee should continue to hold open budget hearings where budget and capital requests are presented by department heads.

**The Town Manager should continue to change the recommended budget as needed.** Revisions to the recommended budget may be made prior to the Annual Town Meeting based on the recommendations of Town boards and based on new information, such as firmer state aid numbers.

**The Town Manager's recommended budget(s) should continue to be posted on the Town web site.** The web site posting should continue to include the recommended budget for the upcoming fiscal year, the voted budget from the current fiscal year, and the actual expenditures from the prior fiscal year.

**The Fall Special Town Meeting should continue to be used to balance the budget.** The budget voted at the Annual Town meeting in May is based on the best available financial information at the time. When final information is available, the changes required to balance the budget for the fiscal year are presented for a vote at the Fall Special Town Meeting.

## CAPITAL POLICIES

The Town has made a practice of funding the operating budget at the expense of capital items, resulting in a backlog of pending capital requirements and deferred maintenance. Indefinitely deferring maintenance and replacement of capital items will ultimately lead to critical failures and their associated costs. The Committee believes that the Town's capital needs must be addressed and toward that end, the Committee recommends that the Board of Selectmen adopt the following policies with regard to capital items:

**The Town Manager should continue to maintain a rolling five-year list of anticipated capital needs.** The list should be regularly reviewed and updated

**For each of the Town's capital assets, determine its "annual capital contribution."** An item's annual capital contribution is the amount of money that must be set aside each year to have enough money available to pay for a replacement item when the current one reaches the end of its life, based on the item's life expectancy and replacement cost.

**Establish a Capital Reserve fund.** Each year, calculate the total of all the individual annual capital contributions and add this amount to the Capital Reserve at the annual Town Meeting. In addition, appropriate funds from the Capital Reserve to pay for items scheduled for replacement.

**Return excess funds to the Capital Reserve** if a capital item costs less than the budgeted amount.

**Establish a process for requesting a capital item or capital improvements** that applies to all capital requests, whether requested by a department, a committee, an organization, or an individual. The process would require that all capital requests go through the Town Manager. The process would require completion of a Capital Request form. The form currently used by Town department heads to request a capital item could be the basis for this form. The completed form must include not only the cost of the capital item but also any new ongoing impact on the operating budget. If the requested capital item replaces another capital item, the completed form must state what will happen to the obsolete item.

**Establish a standard form to be used to report the disposal or disposition of replaced capital items.** When any capital item is replaced, the form must be submitted to describe what happened to the item that was replaced.

**Review capital requests before they are presented to Town Meeting.** Currently, the Town Manager performs such a review; the Town should consider establishing a Capital Review Committee to review each capital request and consider possible alternatives for any capital expenditure. The review should ensure that all capital requests comply with the approved process before moving forward.

**List specific items and the cost associated with the item in the capital article presented at Town Meeting.** Information about new ongoing costs associated with any capital item, including funding source, must be made available to Town Meeting.

**Track approved capital requests.** The Finance Committee Report and Recommendations for Annual Town Meeting booklet should include a list of capital items and projects that have

been approved but not yet purchased or completed. The Town Manager should release the funds for any approved capital item or project that is cancelled.

**Use debt exclusions to finance major capital items** such as major construction projects or significant renovations.

The Committee recommends that the items in the capital article presented at the May 2008 Annual Town Meeting be limited to only critical public safety items or the replacement of critical failed items. However, the Capital Reserve should be fully funded beginning with the FY'09 budget presented at the May 2008 Annual Town Meeting.

## **DEBT MANAGEMENT POLICIES**

The Committee recommends that the Board of Selectmen adopt the following policies with regard to debt:

**Maintain the Town's bond rating.** Maintaining or improving the Town's bond rating is necessary to receive favorable interest rates, and is a consequence of all of the Town's financial practices and policies, most notably maintaining a minimum level of reserves.

**Restrict long-term borrowing to large-scale capital projects** such as new buildings, total building renovations, and land purchases. A debt exclusion should be put to the voters to fund large scale projects. Note that borrowing to fund operating costs is not permissible by law.

**Use retiring debt to smooth out the tax rate to level tax impact.** The issuing of new debt should coincide as much as possible with the retiring of old debt.

## **RESERVE FUND POLICIES**

As recently as FY'03, the Town's reserves significantly exceeded the minimum recommended level of 5% of the operating budget. Since then, reserves have been spent down to close the gap between revenue and expenditures, and are now hovering at the minimum recommended level. The Committee recommends that the Board of Selectmen adopt the following policies with regard to reserve funds:

**Minimize the use of reserves to close the budget gap between revenue and expenditures.**

**Maintain a minimum of 5% of the operating budget in reserves.** The proposed Capital Reserve is not included in this amount since it is intended to be a liquid account. Maintaining reserves at or above this level is a major factor in determining the Town's bond rating, which in turn determines borrowing costs.

**Seek to build reserves** beyond the minimum recommended level in anticipation of economic downturns or unforeseen and extraordinary expenses.

**A planned expenditure that drops reserves below five percent is subject to an approved replenishment plan.**

## OVERRIDE POLICIES

The Town's operating costs are increasing at an annual rate that is projected to exceed the Town's ability to raise tax revenue within the limits of Proposition 2½. The Town may also need to undertake major capital projects. The Committee recommends that the Board of Selectmen adopt the following policies with regard to overrides:

**Plan for multiple years when proposing an operating budget override.** An override for a specific service should sustain that service for a specified time period. Any amounts needed to be carried over to balance future budgets should be placed in the stabilization fund and not be spent for any other purpose.

**Use debt exclusions to finance major capital items** such as major construction projects or significant renovations. Debt exclusion proposals must account for any impact on future operating budgets.

**Require a plan in the event that an override fails.** The plan should be made available to the voters prior to the override vote.

## POLICIES TO PURSUE AND IMPLEMENT OPERATIONAL AND OTHER EFFICIENCIES

The Committee recommends that the Board of Selectmen adopt the following policies with regard to implementing operational and other efficiencies:

**Town Departments will continue to pursue and implement operational and other efficiencies** (e.g. regionalization, centralization, cooperation and elimination of redundancies) to ensure that the Town of Westford nets the greatest possible service and fiscal value for its tax investment.

**Demonstrate to Westford citizenry that efficiencies and effective management are implemented prior to requests for a Proposition 2½ override, debt exclusion or capital exclusion.**

**Adopt and utilize an assessment instrument to identify and quantify cost savings of proposed efficiencies.** Identified cost savings will be reflected in the Town Manager's budget recommendation.

**Enhance and expand communication tools** whereby citizens of the Town of Westford may participate in identifying efficiencies and strategies to ensure the greatest service and fiscal value for their tax investment; inform and educate citizens as to the opportunities to communicate to, and participate in, their local government.

**The Board of Selectmen should promote the active identification and pursuit of potential cost-cutting measures** and maintain a list on an ongoing basis. Each item that is added to the list should either be accepted and implemented or rejected with an explanation. The initial list would include items such as those listed in Appendix D.

## LEVEL OF SERVICE POLICY

The Committee recognizes that service levels are not clearly defined, understood or communicated between decision makers and the community at large. Often, service level is equated with budget level, as additional staff and/or supplies may be necessary to continue service at a given level thereby increasing operating budgets. Consistent with the Town of Westford's Department Heads Goals and Visioning (see Appendix C), the Committee recommends the use of comparative metrics and output data to establish and clearly communicate service level. The Committee recommends that the Board of Selectmen adopt the following policy with regard to level of service metrics:

**Establish Quality and Cost of Service Level Measurements.** Mandated and non-mandated services will be assigned a service level according to development of a quality and cost of delivery comparative metric. Establishment of a cost/quality metric on the basis of output, (workload, efficiency and effectiveness), will include historic data, current performance data and growth projections. Whether completed through an outside professional service, Town Staff or combination thereof, the assessment should:

**Define organizational purpose toward service.**

- Define operational terms.
- Specify standards of service.
- Define service base or answer 'who is being served?'
- Plan for the future, using population, demographics, and purpose.
- Determine who is to be responsible for purpose and the means by which they will be held accountable.

**Develop measures of cost and quality.**

- Require statistical evidence of quality at a given cost.
- Provide a means of continuous service delivery feedback.
- Provide cost/quality assessments along with service budgets.

**Develop a system for continuous improvement through:**

- Employee training,
- Employee incentives,
- Use of consistent policies and practices,
- Capital investment, and
- Constant assessment against a standard set of similar communities

Available resources to develop service level metrics include, but are not limited to:

- Municipal Benchmarking, LLC purchased report
- Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards by David N. Ammons
- [www.municipalmetrics.com](http://www.municipalmetrics.com)

## CONTRACT AND SALARY NEGOTIATIONS POLICIES

The Committee recommends that the Board of Selectmen adopt the following policies with regard to contract and salary negotiations:

**Salaries and benefits combined should make up a fixed percentage of the total operating budget.** If the cost of benefits goes up, then any salary increases must be balanced against this increase.

**Use local "market basket" communities to identify trends in salaries and benefits.**

Competitive salaries help to attract and retain qualified employees. In addition to base salary, all compensation (such as longevity increases, uniform allowances, etc) should be taken into account when comparing positions to their counterparts in market basket communities.

"Market basket" communities should be those that are likely to compete with Westford for employees.

**Total employee compensation must reflect the financial realities in Westford.** The Finance Director should be consulted during contract negotiations to understand how proposed salary increases (including cost of living adjustments, step increases, and other compensation) will affect future operating budgets.

**Contract language and benefits should be consistent** whenever possible and whenever in the financial best interest of the Town, including items such as sick leave, holidays, and vacation. Review and assessment across departments should continue. Press releases concerning negotiated contracts should report on total compensation, including wages, steps and benefits.

## FEES AND ENTERPRISE FUNDS POLICIES

The Committee recommends that the Board of Selectmen adopt the following policies with regard to fees and enterprise funds:

**Fee-based services that are intended to be self-supporting should cover the total cost of providing the service.** When determining if a service is self-supporting, the cost of the service should include not only costs directly incurred by providing the service, but also indirect costs incurred both within the department providing the service and by other Town departments. Such services that do not meet the goal of self-sufficiency should be identified and evaluated.

**Fees should be reviewed annually.** New fees should be reviewed by the Town Manager.

**All enterprise funds should have a goal of being self-sufficient within three years of the establishment of the fund.** Department heads responsible for enterprise funds and fee-based services should annually report the percentage of each service paid by fees and the percentage paid by tax dollars.

## **ONE-TIME REVENUES POLICY**

The Committee recommends that the Board of Selectmen adopt the following policy with regard to one-time revenues:

**The controlling authority receiving mitigation and/or gift money should review the Town's list of capital needs and factor that into spending decisions.** If a high-priority Town need is related to a project's identified impact for which such funds are received, that Town need should be given priority when the funds are spent.

## **POST-EMPLOYMENT BENEFIT POLICIES**

The Committee understands that in the near future the Governmental Accounting Standards Board will require full disclosure in the Town's financial statements of the Town's pension and health benefit responsibilities and obligations to its retired employees. Westford has funded a study regarding these obligations. When the results of that study are available, a related policy and funding strategy should be developed.

## APPENDIX A. COMMITTEE CHARGE AND MEMBERSHIP

The Board of Selectmen does hereby establish a nine member Long Range Fiscal Policy Committee consisting of two (2) members each of the Board of Selectmen, School Committee and Finance Committee, as well as three (3) Department Heads, one of whom shall be the School Superintendent or his designee. The Town Manager, Finance Director, Assistant Town Manager, and Human Resources Director shall be ex officio, non voting members of the Committee.

The Long Range Fiscal Policy Committee shall be charged with recommending a five year, sustainable fiscal plan for the Town of Westford. Said fiscal plan shall consider, as an example, alternative revenue sources; overrides and exclusions under Proposition 2½; cuts in service; contracting out of services, as well as other measures. Said fiscal plan shall include both operational and capital budgets for the Town. The Committee shall consult with pertinent departments as it formulates its plan.

The Committee shall present its findings to a joint meeting of the Selectmen, Finance Committee, and School Committee by October 1, 2007.

The Committee shall meet bi-weekly at a time and place mutually agreeable to its membership. The Selectmen shall reserve the right to continue the Committee after its task is complete in order to adjust the plan due to changing circumstances.

Committee membership:

### Voting members

Betsy Andrews, School Committee\*  
Judith Culver, School Committee  
David Murray, Finance Committee  
Bill Olsen, Superintendent of Schools  
Ellen Rainville, Library Director  
Kelly Ross, Finance Committee, LRFPC Chair  
Pat Savage, Director of Parks, Recreation, and Cemetery  
Jim Sullivan, Board of Selectmen  
Diane Weir, School Committee, LRFPC Vice Chair  
Valerie Wormell, Board of Selectmen

### Ex-officio members

Norman Khumalo, Assistant Town Manager  
Steve Ledoux, Town Manager  
Suzanne Marchand, Finance Director  
Pam Tebbetts, Director of Human Resources

\* resigned in August, 2007; replaced by alternate Judith Culver

The original charge directed the Committee to complete its work by October 1, 2007. The Committee requested, and was granted, an extension until November 1, 2007. Since a joint meeting of the Board of Selectmen, School Committee, and Finance Committee could not be arranged until November 13, 2007, the Committee took advantage of the extra time and approved the final report on November 6, 2007



## **APPENDIX B. BOND RATING**

In the 1990's, Westford's reserves were minimal and bond ratings were low. In anticipation of the need to build schools and other capital projects, an effort was made to improve Westford's bond rating so the Town could borrow for these projects at favorable rates. A goal to build reserves to 5% of the operating budget was set and met through years of careful financial management, which reduced the cost of the borrowing for these projects.

Westford's FY'07 bond rating was AA from Standard & Poor's and Aa3 from Moody's. A letter from Standard and Poor's, dated June 5, 2006, states that the bond rating "reflects the town's adequate financial position, characterized by operating surpluses and comfortable, although declining, reserve levels; experienced management team with a practice of multi-year planning; growing, primarily residential property tax base; very high wealth and income levels; and moderate and manageable debt burden, net of state school construction aid, with limited future capital needs."

A letter from Moody's, dated June 2, 2006, ties Westford's Aa3 bond rating to an "affordable 2.7% overall debt burden" and notes that "when expected school building aid and self-supporting water enterprise debt is incorporated, the town's debt burden declines to a more favorable 1.8%." The ratings letter expresses concern about Westford's continued use of free cash and reserves to fund recurring operational expenditures and cautions that "the town faces downward rating potential if it fails to regain structural balance and to begin to replenish reserves to levels consistent with other similarly-rated Commonwealth communities."

## APPENDIX C. TOWN DEPARTMENT GOALS AND OBJECTIVES

An FY'07 visioning workshop by Town department heads and managers identified the following fiscal goals and objectives:

*The Town of Westford continues to meet its financial challenges via the optimal use of needs assessments, revenue production, prudent and efficient distribution of resources and long term planning.*

- Enforce approved fee structure and continue to diversify Town revenue resources, including pursuit of grant funding
- Establish Town priorities to develop prudent and efficient distribution of resources to promote equity between Town and School budgets
- Assess centralization and management of Town infrastructure and resources
- Through prioritization and coordination, maximize long-term fiscal planning strategies
- Develop an integrated departmental budget process that is based upon departmental and service needs and priorities
- Analyze cost/benefits of grant funding and long-term sustainability of grant- funded programs and benefits of an in-house Grants Manager

*The Town of Westford utilizes published reports, studies and professional recommendations, comparative metrics and output data, to achieve long term planning and funding strategies.*

- Utilize published reports and plans
- Engage in and analyze Metric Comparisons to other communities
- Educate Town entities on Capital and Infrastructure Needs and Implications of deferring funding

*The Town of Westford supports safe, accessible, appropriate and functional facilities through reuse, remodeling, construction, and preventive and corrective maintenance.*

- Develop a comprehensive, long-term facility usage and care plan for the Town
- Create a long-term Plan for Town Hall space and other administrative offices
- Pursue Physically Challenged (Handicapped) Access for the public and employees
- Implement a decommissioning and re-use plan for old and/or abandoned Town facilities
- Analyze maintenance and custodial issues town-wide

## **APPENDIX D. AREAS OF POTENTIAL OPERATING EFFICIENCIES**

- 1) Investigate Consolidation and Coordination of Department Functions (examples might be):
  - Analyze feasibility and potential Cost Savings of creating a centralized Public Works Department, to include:
    - Shared Building Maintenance
    - Shared Building Cleaning
    - Centralized Vehicle Maintenance
    - Implementation of a Central Fuel Center (Note: in progress)
  - Analyze feasibility and potential Cost Savings of Combined Dispatch
- 2) Identify and Analyze Staffing Functions Common to Multiple Town Departments
  - Analyze increased sharing of Human Resource functions
  - Analyze increased sharing of IT functions
  - Analyze increased sharing of fiscal/financial functions
  - Analyze use of contractual employees where feasible
  - Analyze sharing of administrative functions across departments, boards and committees
- 3) Analyze Bargaining Unit Contracts and Benefits
  - Evaluate and coordinate contract negotiations for savings and uniformity
  - Analyze Town's benefit liability
- 4) Manage/Schedule Functions to Ensure Cost-Savings
  - Analyze potential cost savings and implementation of bi-weekly payroll
- 5) Explore and Pursue Regionalization of Services and Functions